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UNCLAS SECTION 01 OF 02 HANOI 002620

SIPDIS

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TREASURY FOR OASIA

E.O. 12958: N/A

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SUBJECT: Vietnam: Trade Officials Arrested for Taking  
Bribes in Exchange for Textile Quota

Sensitive but unclassified. Protect Accordingly.

1. (U) SUMMARY: On September 15, a key Ministry of Trade (MOT) official responsible for allocation of Vietnam's textile quota for the U.S. market was arrested by the Economic Police for allegedly taking bribes in exchange for quota. MOT officials have stated publicly that the case will not delay the allocation of 2005 textile quota. END SUMMARY.

2. (U) According to press reports, on September 15, the Economic Police in Hanoi arrested Mr. Le Van Thang, Deputy Director of the Export-Import Department of the Ministry of Trade, for leading a "ring" that allegedly was taking bribes in exchange for export quota to the U.S. market and serving as an intermediary for illegal quota transfer deals among Vietnamese exporters. The Export-Import Department bears primary responsibility for textile quota allocation in Vietnam. At least one other MOT official and several non-GVN officials have also been arrested in conjunction with this case. Reports indicate that the Economic Police will review allocation of U.S. textile quota for the past several years and may also look into allocation of export quota for the European Union market. Economic Police plan to establish an "open mailbox" for complaints from businesses affected by the extortion ring.

3. (U) Mr. Thang has been the primary interlocutor for Econoffs in Hanoi for several years on issues related to the negotiation and implementation of the bilateral textile agreement (conclude in early 2003). He worked closely with Econoffs in both Hanoi and HCMC to facilitate several textile production verification visits in Vietnam by U.S. Customs and Border Patrol. Mr. Thang began working at MOT's Import Export office in 1989, before foreign investment and access to key export markets sparked a boom in Vietnam's textile exports (now Vietnam's second largest export after crude oil) and has been with the Department ever since. He joined the GVN's working group for U.S. textile quota allocation in 2001.

4. (SBU) According to press reports, Mr. Mai Van Dau, the VM of Trade who bears principal responsibility for the textile portfolio at MOT, has asserted publicly that U.S. textile quota for 2005 will still be allocated according to schedule. (Note: 2004 quota has already been allocated. End note.) On September 16, Mr. Nguyen Duc Thanh, another Deputy Director from the Export-Import Department, took over Mr. Thang's textile responsibilities. Mr. Thanh worked at Vietnam's Trade Mission to the U.S. in the late 1990's, and served as Deputy Director of MOT's Multilateral Affairs Department before moving to the Export-Import Department in 2002.

5. (SBU) A ConGen contact in the textile industry told Congen Econoff that A Chau Company, located in HCMC's Binh Than District, reported Mr. Thang to the police for extorting bribes in exchange for his allocating additional U.S. quota in some of the tightest textile categories. A Chau Company reportedly paid Thang money, but never received additional quota in return. The Congen contact also alleged that Mr. Thang had a poor reputation in the textile and garment industry even before he began working on allocation of U.S. textile quota in 2001 because he maintained a high level of "secrecy" in his dealings with industry businesses.

6. (U) Vietnam exported almost USD 2 billion worth of textiles to the U.S in 2003 and almost USD 540 million to the EU. Demand for U.S. quota in the "hot" categories (particularly knit pants and shirts) significantly surpassed quota supply in both 2003 and 2004. The potential profit from illegally "freeing up" quota in these categories is significant.

7. (SBU) Comment: Since implementation of the bilateral

textile agreement began in May 2003, we had been pleasantly surprised with the effort MOT appeared to take to ensure quota allocation was transparent - including posting information on MOT's website and frequent meetings with the Textile Subcommittee of the HCMC Amcham. Because of the key role played by Thang in quota allocation, if the charges against him prove valid, they will cast a very dark shadow over all aspects of quota allocation for the past two years. On the other hand, if the charges are valid, the GVN merits considerable praise for taking steps clean up corruption in this critical industry. In our contacts with MOT and other officials, Emboffs in Hanoi and HCMC will highlight the importance of resolving this case quickly and taking concrete steps to prevent any future tampering with textile quota allocation. End comment.

MARINE